

ExportReady  DISCOVER



 COUNTRY
REPORT



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1. General information

1.1 Geography

- Area: 65,286 km²
- Capital: Vilnius
- Population of main cities: Vilnius (531,910); Kaunas (301,357); Klaipeda (156,141); Siauliai (104,569); Panevezis (95,202)

1.2 Population

- Total Population: 2,868,231
- Natural Increase: -1.3%
- Density: 46 Inhabitants/km²
- Urban Population: 66.5%
- Population of main cities: Vilnius (531,910); Kaunas (301,357); Klaipeda (156,141); Siauliai (104,569); Panevezis (95,202)
- Ethnic Origins: About 84% Lithuanians, 7% Polish, 6% Russians and 3% other nationalities. (Statistics Lithuania)
- Religion: Catholics 73%, Orthodox 5%, Protestants 1%, Others 21%

1.3 Language

- Official Language: Lithuanian
- Other Languages Spoken: Russian and Polish are also spoken in the country. Indeed, Russians represent approximately 6% of the population and Poles 6.5%. In Lithuania, there are also some minorities speaking Ukrainian, Belarusian, Latvian and Tatar.
- Business Language(s): Lithuanian, Russian and English.

1.4 Government

- Republic based on parliamentary democracy: Lithuania has a multi-party system in which a single party usually does not have a chance of gaining power alone. Parties often work together to form coalition governments.
- Current Political Leaders
President: Gitanas Nausėda (since 12 July 2019)
Prime Minister: Ingrida SIMONYTE (since 24 November 2020)

1.5 Currency

- National Currency: Euro (EUR)

2. Economy

2.1 General Overview

As a member of the EU since 2004, Lithuania has experienced significant growth coupled with the rapid modernisation of its economy, becoming a member of OECD in 2018. The country experienced the fastest recovery in Europe from the 2009 financial crisis, partly fuelled by a well-performing banking system and a diversified industrial sector. In fact, Lithuania resisted well to the COVID-19-induced crisis, with GDP contracting by only 0.8% in 2020 (IMF estimates), thanks to the resilience of exports, private consumption, and lower dependence on tourism compared to other countries. GDP growth is forecast to reach 3.2% this year and in 2022 according to the IMF, although European Commission's projections are more conservative (3% and 2.5%, respectively) due to the uncertain global situation.

Macroeconomic indicators are generally positive, having recorded budget surpluses in recent years. Nevertheless, sizeable stimulus packages implemented in 2020 (accounting for around 6% of GDP) drove the budget in negative territory, at -7.1%. While most COVID-19 related measures expired in 2020, the 2021 budget contains new expenditure measures amounting to almost 2% of GDP, thus the budget deficit is expected to remain around -5.3%, before falling to -1.2% in 2022 (IMF, April 2021). Due to the large deficits projected, the debt-to-GDP ratio rose from 35.9% in 2019 to approximately 47% in 2020, and it should increase to 49.5% this year before falling to 47.7% in 2022. After registering one of the highest levels in the EU in 2019 (2.2%), headline inflation was estimated at 1.1% in 2020. With economic recovery, inflation is expected to rise to 1.5% and 1.9% in 2021 and 2022, respectively.

Net migration was positive for the first time in 2019, and again in 2020, which helped to ease labour shortages (the country has one of the lowest population growth rates in the world). The Lithuanian government introduced a number of measures to protect employment and provide additional support for job seekers during the COVID-19 crisis; however, the unemployment rate rose to 8.9% in 2020 (from 6.3% one year earlier). The rebound in economic activity should gradually bring the unemployment rate down to 8.4% and 7.6% in 2021 and 2022, respectively (IMF). According to the figures released by Statistics Lithuania, around 576,000 people were at risk of poverty, while 215,000 lived below the absolute poverty in 2019 (latest data available), with the trend expected to worsen due to the ongoing global crisis.

Table 1: Overview of Economic Indicators - UN Comtrade

INDICATOR	2018	2019	2020 (e)	2021 (e)	2022 (e)
GDP (billions USD)	53.48	54.63	55.69	62.20	66.09
GDP (Constant Prices, Annual % Change)	3.6	4.3	-0.8	3.2	3.2
GDP per Capita (USD)	19	19e	19	22	23

General Government Balance (in % of GDP)	0.7	0.1	-7.1	-5.3	-1.2
General Government Gross Debt (in % of GDP)	34.1	35.9	47.0	49.5	47.7
Inflation Rate (%)	2.5	2.2	1.1	1.5	1.9
Unemployment Rate (% of the Labour Force)	6.1	6.3	8.9	8.4	7.6
Current Account (billions USD)	0.16	1.83	4.41	3.85	3.15
Current Account (in % of GDP)	0.3	3.3	7.9	6.2	4.8

Source: IMF – World Economic Outlook Database

2.2. SWOT Analysis

Strengths

- Low systemic political risk
- Good international relations, EU and NATO membership
- Eurozone membership provides for low transfer and convertibility risk
- Sound public finances and access to international capital markets
- Strong business environment

Weaknesses

- High external debt burden
- Industry is dominated by one large refinery complex, Orlen Lietuva, which accounts for around 20% of total industrial output, and a significant share in total exports
- High dependency on Russia for crude oil imports (65% of its crude petroleum imports in 2017)
- At the frontline of political tensions between the EU and Russia

Threats

- An escalation of tensions with Russia could weigh on investor sentiment, which could potentially have disastrous consequences for Lithuania's economy given the significant volume of foreign claims on capital
- The government's commitment to avoid a return to austerity will help growth in the near term, but there is a risk that fiscal discipline is not restored once the pandemic fades from view.

2.3. Structure of the Economy

Agriculture contributes 3.2% to the GDP and employs 7% of the workforce (World Bank, 2020). Lithuania's main agricultural products are wheat, wood, barley,

potatoes, sugar beets, wine and meat (beef, mutton and pork). Arable land and permanent crops cover 2 million hectares, more than one-third of the country's territory. In order to mitigate the effects of the COVID-19 outbreak, the Ministry of Agriculture adopted several measures, including an Agricultural Loan Guarantee Fund that allows guarantees to be provided for loans to pay wages and an increase up to 100% of compensation of interest and leasing guarantee deposit. According to preliminary data from Eurostat, overall agricultural output grew by 4% in 2020.

The industrial sector accounts for 25.3% of GDP, employing around 26% of the active population. The main industrial sectors are electronics, chemical products, machine tools, metal processing, construction material, household appliances, food processing, light industry (including textile), clothing and furniture. The country is also developing oil refineries and shipyards. The World Bank estimates that the manufacturing sector alone contributes to 16% of the country's GDP. Official figures show that in 2020 the annual average variation of industrial production stood at -1.5%, mostly due to the global COVID-19-induced crisis.

Lastly, the services sector contributes 61.4% to the GDP and employs more than two-thirds of the active population (67%). The information technology and communications sectors are the most important contributors to the GDP. In recent years, tourism has been one of the fastest-growing sectors of the country's economy; however, data from the national tourism development agency shows that in 2020 the number of tourists contracted by almost 30% (with foreign arrivals dropping by 73% due to coronavirus restrictions).

Table 2: Economic Activity by Sector

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	6.6	25.9	67.4
Value Added (in % of GDP)	3.0	25.3	61.6
Value Added (Annual % Change)	6.6	4.3	3.6

Source: World Bank, 2021

2.4. Investment Environment

FDI flows to Lithuania have been fluctuating over the last decade, firstly due to the global financial crisis then to the regional crisis involving Russia and Ukraine, following a trend that is observed in other Baltic countries. According to UNCTAD's 2021 World Investment Report, FDI flows decreased from USD 1.2 billion to USD 479 million between 2019 and 2020, as a result of the global economic crisis triggered by the Covid-19 pandemic. The total stock of FDI stood at USD 23.7 billion at the end of 2020. Foreign direct investment stocks are concentrated in the financial and insurance services, manufacturing, real estate, wholesale, retail sectors and IT

services. Sweden remains the country's main investor (concentrated in the energy sector), followed by the Netherlands, Estonia, Cyprus and Germany.

Lithuania offers tax exemptions to foreign companies, which can also profit from high-quality infrastructure and a skilled workforce. In recent years, building permits were facilitated, access to electricity was improved, minority investors were better protected and the tax payment system became electronic. Furthermore, national legislation assures equal protection for both foreign and domestic investors. However, the country is still dependent on its exports towards Russia, hence vulnerable to external shocks, its domestic market is small and the income is lower than neighbouring countries. Lithuania improved its position and ranks 11th out of 190 economies in the World Bank's 2020 Doing Business report (which was ranked 14th in the 2019 edition).

In 2020, Lithuania strengthened the national security review mechanism to align it with the EU FDI Screening Regulation of March 2019. Amid other changes, it extended the list of companies and entities considered relevant for national security to include radioactive waste companies, 5G service providers and infrastructure developers, secure public data networks, public safety and emergency services, digital mobile radio communication network operators and selected power generation companies.

Table 3: Foreign Direct Investment - UNCTAD, 2021

Foreign Direct Investment	2018	2019	2020
FDI Inward Flow (million USD)	977	1,169	479
FDI Stock (million USD)	19,418	20,855	23,709
Number of Greenfield Investments*	91	71	66
Value of Greenfield Investments (million USD)	2,034	1,931	1,081

Source: UNCTAD, Latest available data

The main strengths of Lithuania are:

- A democratic and stable political system.
- Growth among the highest in the European Union based on a diversified economy.
- Quality transport infrastructure with one of the most developed road networks in the region.
- Good international relations giving it good access to international markets.
- An investor-friendly business environment. The tax rate for companies is low and Lithuanian legislation offers foreign and Lithuanian investors the same protections.
- Stable and healthy public and external accounts.

- Highly skilled (4th highest in the EU with 55.2% of young people aged 25 to 34 having a higher education diploma - Eurostat, 2019) and motivated labour force.

The country has a number of weaknesses:

- The attractiveness of the domestic market moderated by the level of income of Lithuania which remains below the average of the European states. This implies a readjustment of the selling price of the products.
- The high rate of emigration of Lithuanians to other European countries, making skilled labour more and more difficult to find.
- The bureaucracy is relatively inefficient. The risks of corruption and lack of transparency in some parts of the economy are hindering the development of the country and can discourage potential investors.
- High dependence on exports to Russia and emerging countries making the economy vulnerable to external shocks.
- High external debt.
- A strong income gap between the capital and the other regions, especially in the northeast where poverty is widespread.
- Erosion of competitiveness due to low productivity gains.

Government Measures to Motivate or Restrict FDI: Lithuania's laws ensure equal treatment of foreigners and domestic investors. No special permit from government authorities is necessary to invest foreign capital in Lithuania. Apart from a few exceptions, nearly all sectors of the economy are freely accessible. To encourage investment, the government has also created seven Free Economic Zones (FEZs) with tax benefits and one-stop-shop services. In recent years, various measures have also been taken to protect minority investors and facilitate administrative procedures (the payment of taxes and social contributions is now done online).

2.5. Taxation**Company Tax 15%**

Tax Rate for Foreign Companies: Foreign investors benefit from the same incentives as Lithuanian investors.

Capital Gains Taxation: Capital gains of resident and non-resident companies are taxed as general taxable income at a rate of 15%. Capital gains from the sale of shares of a company that is resident in Lithuania or in another EU/European Economic Area member state may be exempted if the investor (Lithuanian firm or permanent establishment of a foreign company) maintains a participation of more than 10% for at least two years.

Value Added Tax (VAT) 21%:

- Reduced rates of 9% apply to public transport, heating and water for residential use, books and publications, and hotels (until 31 December 2022).
- A further reduced rate of 5% applies to the sale and repair of equipment for the disabled, pharmaceutical goods and medical devices.

- A 0% rate applies to exports, insurance and financial services related to export, transport services directly related to the export of goods and goods supplied to another European Union member state.
- VAT-exempt goods and services include: education, healthcare, the leasing of dwellings and other immovable property, the sale or transfer of immovable property, and social, cultural, sports, radio and television services if supplied by non-profit seeking entities.

Main Allowable Deductions and Tax Credits:

- Depreciation of tangible and intangible assets is tax deductible at rates ranging from 5% to 33.3%. Goodwill is also deductible.
- Start-up expenses, interest charges and bad debts are generally deductible whereas provisions for doubtful debts are not deductible.
- Donations to charitable organizations give rise to a 200% tax deduction, capped at 40% of taxable income (before the deduction of donations and the carryforward of tax losses).
- Fines and penalties are not deductible. Taxes are deductible except for VAT and corporation tax.
- Entertainment fees are deductible up to 50% (since 1 January 2018) and their deduction is capped at 2% of the company's income.
- Tax losses can be carried forward indefinitely, yet for each year, they can only be offset by 70% of taxable income. The rest of the losses can be offset against income from previous years. Losses from the sale of shares may be carried forward up to five years and may only be offset against income from the sale of shares. The carryback of losses is not permitted.

Other Corporate Taxes:

- The land tax varies between 0.01% and 4% (the rate is determined by municipalities). The tax on land lease varies between 0.1% and 4% (again determined by the municipalities). Property tax varies between 0.3% and 3% (determined by municipal councils).
- There are no stamp duties in Lithuania. On the other hand, a small fee is payable for the issuance of certain documents by the public services.
- Social security contributions payable by the employer vary between 30.98% and 32.6% (no cap applies). Employers also pay a contribution equal to 0.2% of the gross salary for the Guarantee Fund (which provides financial assistance to employees in case their employers go bankrupt).
- An environmental tax is levied on pollutants released into the environment.

3. Consumer Behavior and Market Environment

3.1. Consumer Behavior and Characteristics

With a GDP per capita of USD 22,240 (IMF, 2021) and a median age of 44.5 years (CIA World Factbook, 2020 est.), the average Lithuanian consumer is around the

same age as consumers in other Baltic states and has a wealth status comparable to theirs (lower than Estonia, higher than Latvia). Lithuanian population is rapidly shrinking (-1.04% net growth rate coupled with a net migration rate of -4.75 migrants/1,000 population - CIA World Factbook, 2021 est.) and the share of the young population in the age structure is relatively low (people aged 0-24 years account for 25.49% of the total population - CIA World Factbook, 2020 est.).

The Lithuanian consumer is still price-sensitive despite a steady GDP growth as the purchasing power is not as high as in most European Union countries. The consumer market is also characterized by considerable income inequality as Lithuania has a Gini index score of 35.4 points (one of the highest in the EU - EU average standing at 30.2 points).

The market for consumer products in Lithuania is fragmented. Consumer preferences differ according to income, age and social group. More affluent consumers consider brand name and quality to be important selling points, with price an indicator of quality. In general, the Lithuanian consumer considers foreign goods to be a synonym of high quality. Lithuania's growing economy has led to an increase in consumer confidence and household spending. Consumers have also become more interested in new health trends and gourmet food along with other discretionary items and expect better customer service. As a sign of economic improvement, there has been a considerable drop in price promotion campaigns.

3.2. Internet and E-commerce

Internet: Lithuania is home to almost 3 million people and has an internet penetration rate of 77.2%. The share of monthly active mobile internet users was estimated at 58.5% in 2017. The country ranks 13th out of the 28 EU Member States in the Digital Economy and Society Index (DESI) 2018 published by the European Commission.

Lithuania performed particularly well in terms of connectivity and integration of digital technology. Lithuanians are very active online in using new services over mobile, e.g. payment instruments, mobile e-signature, car parking, banking services, etc. When dividing internet users by age groups, 97% of 16-24 year olds, 90% of 25-34 year-olds and 86% of 35-44 year-olds log on daily. People within the 45-54 year-olds group and over 55s show a 78% and 70% daily penetration rate, respectively.

The most popular web search engines in Lithuania are Google (95.8%), Bing (2 %) and Yandex RU (1.2%).

E-commerce market: According to a report by PPro, the Lithuanian e-commerce market value is estimated to be worth US\$ 500 million and is growing at an annual rate of 12.2%. There are currently 1.41 million e-shoppers in Lithuania, with this number expected to increase to 1.85 million by 2022 (Statista). It is estimated that 18% of Lithuanian small businesses sell their products and services online and almost 10% use e-commerce platforms to sell abroad. On the other hand, foreign

online stores already have a 36% share in the country. The average Lithuanian e-shopper spends US\$ 393 a year online, with entertainment, electronic goods and clothing as the main categories. 33% of Lithuanians make an online purchase at least once a year. According to a survey by the Lithuanian postal service, the most common reason for Lithuanians not to shop online is the desire to examine the goods personally before buying. According to the Digital Economy and Society Index (DESI) 2018, although the number of internet users who buy online is still well below the EU average, there has been a 5 % increase and Lithuania gained two positions in the ranking compared to the previous year.

About 70% of Lithuanian e-shoppers say home delivery is one of their top reasons to shop online, whereas when it comes to drawbacks of online shopping, 36% of Lithuanian mention the long delivery time (Gemius). Lithuanians pay for 48% of online purchases by using online bank transfers. 23% are paid for using a payment card, 14% with cash, 7% using an e-wallet, and 7% with various other payment methods (PPay). In 2017, 54% of all individuals used social networks in Lithuania. Facebook is the most used social network, with around 1 million users, followed by YouTube, Pinterest and Twitter. There are 420,000 Instagram users in Lithuania, of which 80% are aged 18-44.

4. Trade Relations

4.1. Imports-Exports

Lithuania is a very open economy, with foreign trade representing 150% of GDP. The country mainly imports petroleum oils (11.4%), furniture (4.5%), cigars, cigarettes, and other tobacco products (2.2%), wheat and meslin (2%) and motor cars (2%); while imports are led by crude oil (12.3%), motor cars (4.4%), medicaments (2.8%) and electrical energy (2%). Nevertheless, in 2020 Lithuania's international trade has been severely affected by the COVID-19 crisis: according to estimates from the IMF, the total volume of exports of goods and services should contract by 4.5% in 2020, before bouncing back +7% in 2021; with imports registering similar fluctuations (-6.9% followed by an increase of 9.7%).

The European Union remains the major trading partner, accounting for more than half of total exports (especially towards Latvia, Poland and Germany – at 9.5%, 7.9%, 7.6%, respectively) followed by Russia (14%), the UK (3.8%) and the US (3.7%). The main origins of Lithuania's imports were Russia (14.5%), Poland (11.7%), Germany (11.7%), Latvia (7.1%) and the Netherlands (5.4%). It has to be noted that ongoing diplomatic spat between the EU and Russia and the Russian embargo on EU agricultural products have been detrimental to Lithuania (and the Baltic countries in general).

Table 4: Lithuania's Foreign Trade Indicators

Foreign Trade Indicators	2016	2017	2018	2019	2020
Foreign Trade (in % of GDP)	134.5	144.9	148.6	149.7	138.5
Trade Balance (million USD)	-2,101	-2,307	-3,289	-2,634	-304
Trade Balance (Including Service) (million USD)	304	1,133	977	2,838	5,419
Imports of Goods and Services (Annual % Change)	4.0	11.1	6.0	6.3	-5.3
Exports of Goods and Services (Annual % Change)	4.9	13.5	6.8	9.5	-0.0
Imports of Goods and Services (in % of GDP)	66.9	71.3	73.4	72.2	64.4
Exports of Goods and Services (in % of GDP)	67.6	73.6	75.2	77.4	74.1

Source: (WTO) World Bank, 2021

Lithuania's Main Products (Exports - Imports):

Table 5: Main Products exported in 2019

33.2 bn USD of products exported in 2019	
Petroleum oils and oils obtained from bituminous...	11.4%
Furniture and parts thereof, n.e.s. (excl. seats...	4.5%
Cigars, cheroots, cigarillos and cigarettes of...	2.2%
Wheat and meslin	2.0%
Motor cars and other motor vehicles principally...	2.0%
Polyacetals, other polyethers and epoxide resins,...	2.0%
Medicaments consisting of mixed or unmixed...	1.9%
Seats, whether or not convertible into beds, and...	1.7%
Mineral or chemical nitrogenous fertilizers (excl....	1.5%
Mineral or chemical fertilizers containing two or...	1.3%

Table 6: Main Products Imported in 2019

35.8 bn USD of products imported in 2019	
Petroleum oils and oils obtained from bituminous...Petroleum oils and oils obtained from bituminous minerals, crude	12.3%
Motor cars and other motor vehicles principally...	4.4%

Medicaments consisting of mixed or unmixed...	2.8%
Electrical energy	2.0%
Petroleum gas and other gaseous hydrocarbons	1.8%
Tractors (other than tractors of heading 8709)	1.7%
Petroleum oils and oils obtained from bituminous...	1.6%
Electrical apparatus for line telephony or line...	1.6%
Polycarboxylic acids, their anhydrides, halides,...	1.3%
Automatic data processing machines and units...	1.2%

Source: Comtrade, 2021

Lithuania's Main Partner Countries:

The European Union remained the major trading partner in 2019, accounting for more than half of total exports (especially towards Latvia, Poland and Germany – at 9.5%, 7.9%, 7.6%, respectively) followed by Russia (14%), the UK (3.8%) and the US (3.7%). The main origins of Lithuania's imports were Russia (14.5%), Poland (11.7%), Germany (11.7%), Latvia (7.1%) and the Netherlands (5.4%).

Table 7: Lithuania's Main Customers

Main Customers (% of Exports)	2019
Russia	14.0%
Latvia	9.5%
Poland	7.9%
Germany	7.6%
Estonia	5.1%
Sweden	4.5%
Belarus	3.9%
United Kingdom	3.8%
United States	3.7%
Netherlands	3.6%
Russia	14.0%

Table 8: Lithuania's Main Suppliers

Main Suppliers (% of Imports)	2019
Russia	14.5%

Poland	11.7%
Germany	11.7%
Latvia	7.1%
Netherlands	5.4%
Italy	4.9%
Sweden	3.7%
Estonia	3.4%
France	3.3%
China	2.9%
Russia	14.5%

Source: Comtrade, 2021.

4.2 Greek-Lithuanian Trade Relations

Lithuania and Greece started trading in 1992. The balance of trade has fluctuated since, with a surplus for Greece between 2002-2009, and again since 2012. For the year 2020 bilateral trade between Greece and Lithuania amounted to € 95.7 million.

Greek imports from Lithuania amounted to € 43.8 million during 2020, according to Eurostat.

Table 9: Greek Imports from Lithuania 2020-21– Eurostat

GREEK IMPORTS FROM LITHUANIA (in EUR)	2019	2020
Food & Live animals	9.082.864	9.738.082
Beverages & Tobacco	2.458.139	203.825
Crude materials, Inedible crude	506.647	252.556
Mineral fuels, Lubricants	1.970.203	2.436.134
Animal & Vegetable oils, Fats	122.362	:
Chemicals & Related products	5.226.246	5.586.825
Manufactured goods	3.477.061	9.306.362
Machinery & Transport equipment	13.093.515	12.087.729
Miscellaneous manufactured articles	4.582.285	4.243.122
Other commodities	9.082.864	9.738.082
TOTAL	40.519.322	43.854.635

In 2020, Greece exported €51,8M to Lithuania. The main products exported from Greece to Lithuania are Food & Live animals (€13.2M), Manufactured goods (€13.3M), and Beverage & Tobacco (€5.9M) according to Eurostat.

Table 10: Greek Exports to Lithuania 2020-21- Eurostat

GREEK EXPORTS TO LITHUANIA (in EUR)	2019	2020
Food & Live animals	14.505.872	13.155.630
Beverages & Tobacco	5.453.830	5.999.366
Crude materials, Inedible crude	262.688	483.090
Mineral fuels, Lubricants	2.316.758	716.264
Animal & Vegetable oils, Fats	706.401	910.840
Chemicals & Related products	6.050.123	7.555.901
Manufactured goods	11.200.636	13.307.335
Machinery & Transport equipment	4.431.818	5.963.741
Miscellaneous manufactured articles	2.386.274	3.199.468
Other commodities	296.082	591.320
TOTAL	47.610.482	51.882.955

4.3 Sectors of interest

Pharmaceuticals and healthcare: The pharmaceutical market is constantly evolving, with risks both on the upside and the downside. On the one hand, initiatives such as the widening reimbursement coverage and proposals to authorize hospital pharmacies to dispense drugs to outpatients will continue to support its volume growth. On the other, authorities remain keen on reducing public sector spending on medicines and medical supplies through the further development of the consolidated public procurement programs. Despite an advantageous operating environment compared with regional peers, the country's small and shrinking population will continue to limit growth opportunities in the sector.

In 2020, drug sales in the country were calculated to have been worth EUR686mn. This figure is expected to reach EUR719mn in 2021. By 2025, the market is forecast to reach EUR836mn, posting a five-year local currency compounded annual growth rate (CAGR) of 4.0%. Over the extended 2021-2030 forecast period, is calculated a CAGR of 3.7% in local currency terms, with the market reaching EUR990mn in value. While the country's per capita pharmaceutical spending is higher than that in the majority of its CEE peers, such as Romania and Latvia, it remains lower than Baltic neighbour Estonia and other Western European countries. Still, by 2030, medicine expenditure per capita is set to rise to USD498, of which prescription medicines are expected to account for USD402. By this point, pharmaceuticals will account for just 1.2% of the country's GDP and a declining share of the overall healthcare expenditure (dropping from 20.2% in 2020 to 17.2% in 2030).

Pharmaceutical sales growth will be tempered both by country-specific and by region-wide cost containment measures. Although sales will continue to rise on a volume basis, boosted by demographic and epidemiological factors, revenue for

multinational pharmaceutical firms will be squeezed. The Joint Baltic Drug Procurement Agreement will continue to allow Lithuania and its Baltic neighbours to demand discounted medicines in return for high-volume orders.

Infrastructure and construction: Growth in Lithuania's construction industry will be driven primarily by the residential and non-residential buildings sectors, as well as through the development of EU-funded energy and transport projects. It is expected to grow by an annual average of 2.9% between 2020 and 2028. The high-speed Rail Baltica project is a key driver of transport sector growth in all Baltic States over a 10-year forecast period. Lithuania's energy and utilities infrastructure sector is expected to stagnate over the coming decade, averaging only 0.7% yearly average growth to 2028, reaching a value of EUR600mn.

Food and drinks: Despite strong performance in 2017 and 2018, growth in food and non-alcoholic drinks consumption in Lithuania is expected to moderate until 2022. Average annual growth of non-alcoholic drinks sales value is expected to be 6.1% until 2022, while health-consciousness trends suggest there will be strong growth in the bottled water and juices categories (7.5% and 6.7% respectively). The volume of alcoholic drinks consumption declined by an estimated 1.0% in 2018, and the negative trend is expected to continue - and slightly worsen - through to 2022 (despite the fact that the value of alcohol consumption will grow by 4.7% during the same period). Health considerations will negatively affect the sales of meat and confectionary products.

Information Technology and Communications: In the past few years, the Lithuanian IT sector has skyrocketed to great heights. With 31.500 IT professionals, 18.100 software developers, 10.600 IT students and 4.500 IT graduates in 2018, the country is ranked 26th out of 82 countries on the EIU's 2018 Technological Business Index, and 4th out of 128 countries in the WEF's 2018 National Cybersecurity Index. In 2018 there was a total of 170 fintech companies, more than 20 incubators and accelerators, and 7 active private equity VCs. Foreign investment inflows have given rise to a variety of startups and tech businesses. There is a growing trend for companies to form larger clusters, so as to ensure effective solutions and to be able to work with clients otherwise reserved for larger players. The country offers considerable incentives for ICT activities, including a 5% corporate profits tax and cost deductions for R&D.

5. Business Culture and Communication

5.1. Dress Code

Lithuanians pay attention to the quality of clothes and shoes. In formal situations men usually wear a suit, women wear a formal dress or a suit. That could change depending on what kind of business you are in, but it is very important to dress clean and tidy.

5.2 Verbal and non-verbal Communication

There should be an arm's length distance when communicating. Lithuania is a low-contact society. Touching is non-advised. Women tend not to shake hands, although this might be changing. Lithuanians tend to conceal their emotions, be reserved until they get to know you. Lithuanians can be facially expressive.

It is very important to make eye contact. Just like Canadians, Lithuanians consider it a sign of dishonesty if a person refuses to or is reluctant to make eye contact.

6. Useful Contacts

6.1 Embassy of the Hellenic Republic in the Republic of Lithuania

Address : Rudninku St. 2, 01135 Vilnius Lithuania

Tel. : (003705) 2610526, 2610527

Fax : (003705) 2610536

Emergency tel: +37067300689

E-mail : gremb.vil@mfa.gr

Website: www.mfa.gr/vilnius

Head of Mission: Dimitrios Xenitellis

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Visiting hours: Monday-Friday 10.00-13.00 following an arrangement through telephone or e-mail

Head: Ekaterini Dentaki

6.2 Embassy of the Republic of Lithuania to the Hellenic Republic

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Fax: (+30) 210 72 94 347

Email: amb.gr@urm.lt ; kons.gr@urm.lt (konsuliniais klausimais)

Website: gr.mfa.lt

Head of Mission: Mr Rolandas Kacinskas, Ambassador

Visiting hours: Monday-Friday 09:00-17:00

7. Sources

International Organizations

- OECD: Global Economic Outlook, Economic Surveys
- World Economic Forum: Global Competitiveness Reports
- IMF: Country Information
- International Trade Center
- UNCTAD
- The World Bank Group
- World Trade Organization: Trade Policy Reviews
- European Commission: Market Access Database, Eurostat
- Fitch Group: BMI Research
- The Economist Intelligence Unit
- Global Affairs Canada: Country Insights
- Euler Hermes: Economic Research, Country Reports
- CIA World Factbook

Financial Institutions

- Eurobank: Export Gate
- Rabobank: RaboResearch
- Banco Santander: Santander Trade

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